

## SECTION 6

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## PROGRAM MANAGEMENT

In order to implement sound business practices, a sponsor should establish a budget which requires projecting income and expenditures and establishing fixed costs. Variable costs are those that depend on meals served, labor costs and food costs. Fixed costs (i.e., salaries and rent) vary little regardless of the volume of business.

A school food service should operate on a sound financial basis. Accountability is just as important in food service as it is in the overall educational program. An informative resource on operating a school food service is Dorothy Van Egmond-Pannell's book, *School Foodservice Management*.

## MEAL PRICING

### Student Meals

Schools may offer students a choice of reimbursable lunches. One lunch may be more expensive than another because of a special meal item. However, free and reduced-price recipients **must** be able to choose either meal with no additional charge.

Program regulations require that both lunches and breakfasts be **priced as a unit**. The offer versus serve provision is not to affect the selling price for the lunch or breakfast established by the sponsor. Regardless of which items a student chooses, they must pay the established full or reduced-price meal charge.

Children must not be charged any additional fees for supervisory or other services provided in conjunction with the meal programs.

A sponsor may choose to be a pricing program where students are charged for their meals. Or, the sponsor may choose to be a non-pricing program where students are not charged for their meals.

### **Pricing Program:**

Sponsors cannot charge the students more than 30 cents for breakfast or 40 cents for lunch for the reduced-price meals.

The charge to a student paying full price should be the cost of producing a meal minus the federal reimbursement for that meal. The cost of producing a meal includes food costs, labor cost and supplies. (See Exhibit A)

For example: The meal cost is \$ 1.44 to produce and the federal reimbursement for a full price meal is \$0.20, therefore, the charge for a full price meal should be \$1.24.

### **Non-Pricing Program:**

The Non-Pricing Program consists of all students receiving breakfast or lunch free of charge. However, the students are still to be claimed in the category they were approved for (free, reduced, or paid). It is a local decision whether or not to charge the students for meals.

#### Adult Meals

One of the following two methods may be used when determining the minimum prices charged for adult meals.

##### Method 1:

**Lunch** - add the highest price paid by students to the rate of federal reimbursement for a paid student lunch and the per meal value of USDA commodity assistance.  
(Exhibit B)

**Breakfast** - add the highest price paid by students to the rate of federal reimbursement for a paid student breakfast.

OR

##### Method 2:

**Lunch** - add the rate of federal reimbursement for a free student lunch to the per meal value of USDA commodity assistance.

**Breakfast** - charge the rate of federal reimbursement for a free student breakfast.

#### **School District Employees:**

The benefits of the National School Lunch and School Breakfast Programs are for children only. The reimbursement and commodities received by schools are based on the number of school lunches and breakfasts served to students. **No reimbursement or commodities are provided for meals served to adults.**

If meals are included as a fringe benefit or offered as part of the salary arrangement for non-food service personnel, the school must provide enough money from non-school food service funds to the food service account to pay the cost of these adult meals.

#### **School Food Service Employees:**

Meals served to cafeteria employees **directly involved** in the operation and administration of the breakfast and lunch programs (managers, cooks, servers, etc.) may be served at no charge and considered as a fringe benefit attributable to program costs. Therefore, the cost of such meals may be paid from program funds. Charging school food service employees for meals is left to the discretion of school officials.

#### **Adult Volunteers:**

Adults serving as lunchroom monitors are able to receive a meal without charge. These adults may, at the discretion of the district, receive a free meal because they are working directly with the meal service. These meals are not eligible for reimbursement and the cost must therefore be absorbed by the district.

**Adult Meals for Nonpricing School:**

Adults may pay cash through the line, use payroll deduction or buy an adult ticket. The cash amount must be recorded daily and deposited regularly.

**Adult Visitors:**

The charge to adult visitors, at the discretion of school officials, may be higher than the charge paid by adult school employees.

**A La Carte**

A la carte sales include any items sold in addition to the unit-priced breakfast and lunch. Some school districts have limited a la carte sales to milk and items on the menu. However, the revenue from a la carte sales can subsidize the school lunch program. At a minimum, a la carte prices should be set to cover the total cost of each item.

When setting prices it is helpful to group items at a particular price. For example, you could price all vegetables at 50 cents a portion, or all similar size cookies at 25 cents each. Group pricing of items is easier for the customer and easier for the cashier.

To claim a la carte meals as reimbursable, the following requirements must be met:

1. All five food items must be planned and available in the a la carte line.
2. Food items intended to meet the meal pattern must be served in the planned portion.
3. These combinations must be sold at an established unit price.
4. All free and reduced-price students must be permitted to receive the reimbursable meal from the a la carte line.

**LABOR COSTS**

Labor costs, including fringe benefits, should be kept under 50 percent of the revenue in order to have sufficient revenue to spend on food and other expenses and at the same time break even. The following charts and formulas will help determine productivity rate/meals per labor hour, meal equivalents, and how you should be staffed according to guidelines for both conventional and convenience preparation.

**PRODUCTIVITY RATES OR MEALS PER LABOR HOUR (MPLH)**

Productivity rates used in the foodservice industry are measured in many different ways; however, the most common means used in SFS are numbers of meal equivalents per labor hour. Productivity rate is the output calculated by dividing the number of meal equivalents produced and served in a day by the number of labor hours, as shown in the following formula:

Number of Meals (Output)	=	Productivity Rate or
Number of Labor Hours (Input)		Meals per Labor Hour (MPLH)

Factors that affect the productivity rate are shown in Exhibit C.

### **FOOD SERVICE STAFFING GUIDELINES**

The following are general guidelines developed by the InTeam which may assist in determining labor needs:

To use the guidelines below, determine the meal equivalents based on average numbers. Then decide if the preparation done could be classified as “Conventional” or Convenience.” Divide the number meal equivalents (column 1) by the meals per labor hour (MPLH) recommended in column 2 or 3 to determine the number of labor hours justified.

NUMBER OF EQUIVALENTS <sup>a</sup> (1)	MEALS PER LABOR HOUR (MPLH)/TOTAL HOURS	
	CONVENTIONAL PREPARATION <sup>b</sup>	CONVENIENCE PREPARATION <sup>c</sup>
	MPLH (2)	MPLH (3)
Up to 100	8	9
101-150	9	10
151-200	10-11	12
201-250	12	14
251-300	13	15
301-400	14	16
401-500	14	18
501-600	15	18
601-700	16	19
701-800	17	20
801-900	18	21
900+	19+	22+

<sup>a</sup>Meal equivalents include breakfast and a la carte sales. For purposes of the above only, three breakfasts equate to one lunch and a la carte sales of \$3 equate to one lunch.

<sup>b</sup>Conventional preparation is preparation of food from raw ingredients on premises (using some bakery breads and prepared pizza and washing dishes).

<sup>c</sup>Convenience preparation is using maximum amount of processed foods (for example, using all bakery breads, prefried chicken, and preportioned condiments, and using disposable dinnerware).

*Adapted from: Pannell, School Foodservice Management (Van Nostrand Reinhold, 1990).*

## Comparison of Staffing to Guidelines

Using the formula below, Step A, determine the meal equivalents (MEQ); Step B, divide MEQ by labor hours you have assigned to school foodservices (including manager and cashier hours). This will provide the existing productivity rate of staff. In Step C, determine the number of hours the school justifies using staffing guidelines on the previous page.

### A. DETERMINING MEAL EQUIVALENTS (MEQ):

$$\text{Average Number Breakfast} \div 3 = \frac{\text{MEQ}}{(a.1)}$$

$$\text{Average Number Lunches} = \frac{\text{MEQ}}{(a.2)}$$

$$\text{Average \$'s in A la Carte Sales} \div 3 = \frac{\text{MEQ}}{(a.3)}$$

$$\text{TOTAL MEQ} = \frac{\text{MEQ}}{(a.4)}$$

### B. DETERMINE YOUR PRODUCTIVITY RATE:

$$\frac{\text{Total MEQ}}{(b.1)} \div \frac{\text{No. Labor Hours}}{(b.2)} = \frac{\text{MPLH}}{(b.3)}$$

### C. TO DETERMINE HOW YOU SHOULD BE STAFFED ACCORDING TO GUIDELINES:

$$\frac{\text{Total MEQ}}{(c.1)} \div \frac{\text{MPLH from Guidelines}}{\text{No. Labor Hours}} = \frac{\text{No. Labor Hours}}{(c.3)}$$

## Costing Out a School Meal

### Menu

Orange Juice	½ cup
Scrambled Eggs	1
Cinnamon Toast	1 slice
Milk	½ pint

FOOD COSTS			MISCELLANEOUS		
Item	Quantity	Cost	Item	Quantity	Cost
Orange Juice	1 ½ cans	\$ 1.95	Straws	50	\$ 0.19
Eggs	50	3.75	Napkins	50	0.50
Bread	2 loaves	1.30	Detergents		0.45
Sugar	1 cup	0.27	Cups	50	0.85
Cinnamon	2 Tbsp	0.02	Indirect Cost		2.50
Milk	50 ½ pint	5.90			
<b>Total Food</b>		<b>\$13.19</b>	<b>Total Misc</b>		<b>\$4.49</b>

LABOR COSTS		
Employee Hours	Wage Per Hour	Total
1 ½ hour	\$4.75	\$7.13
1 hour	\$5.25	\$5.25
<b>Total Labor</b>		<b>\$12.38</b>

TOTAL COST OF THE MEAL	
Food	\$ 13.19
Misc.	4.49
Labor	12.38
<b>TOTAL</b>	<b>\$ 30.06</b>

Divide the total cost of the meal by the total number of meals (50) = the per meal cost

$$\text{\$30.06} \div 50 = \text{\$0.60}$$

## Pricing of a School Meal

### Method 1

The following chart may be useful in explaining to employees and others how the National School Lunch Program is funded and why adults must be charged a higher price than students for the same sized portion.

Please note: In this example, the reimbursement rates and the per meal value of USDA commodity assistance are for the 2001-2002 school year; the charge to an adult customer and paid student are statewide estimated averages.

	Student Free	Student Reduced	Student Paid	Adult Paid
CHARGE TO CUSTOMER	.00	.40	\$1.25	\$1.60
FEDERAL REIMBURSEMENT	\$2.11	\$1.71	.22	.00
USDA COMMODITY ASSISTANCE	.155	.155	.155	.00
TOTAL REVENUE	\$2.27	\$2.27	\$1.63	\$1.60

Federal reimbursement and USDA assistance for commodities are received only for student meals, and not for adult meals. Therefore, the charge to adults must be high enough to cover the complete cost of the meal.



## **Factors that Affect Productivity Rate or Meals Per Labor Hour (MPLH)**

- Type of food production system (on-site production, bulk satellite, pre-plated satellite, assembly-serve, etc.)
- Level of service (self-service, vending machines, plates service on serving line, made-to-order service)
- Menu (number of choices, difficulty or complexity)
- Degree of prepared foods purchased (raw ingredients, some convenience foods or all convenience foods)
- Type of equipment (amount of automation or lack of)
- Layout and design of kitchen and serving area
- Production planning (work schedules)
- Staffing and scheduling
- Training and skill levels of employees
- Motivation of employees
- Size of facility (number of customers, volume of sales)
- Schedule of serving periods